



## Doing Business In Tunisia: A Country

### Commercial Guide for U.S. Companies

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## Chapter 1: Doing Business In Tunisia

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### Market Overview

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- Tunisia is a small and politically stable country, lying on the North African coast, and has the most diversified economy in the region. With a population of only 10 million, it has one of the highest standards of living on the entire continent. The country does not have vast reserves of hydrocarbons like its neighbors Algeria and Libya but has prospered under long-standing government policies to develop manufacturing industries for export and to promote tourism. At the same time, social programs limit population growth, provide a high standard of education, and ensure a relatively decent standard of living for all. The average annual income is approximately \$3000.
- The Tunisian economy is maintaining average annual growth of almost 4.5%. Inflation is running at about 2% annually and hard currency reserves of approximately \$4.25 billion at the end of 2005 are equal to 121 days of imports.
- Manufacturing industries, producing largely for export, are the motor of Tunisia's economic growth and a major source of foreign currency revenue, accounting for nearly 90% of exports. Labor-intensive plants, historically producing textiles, and more recently, those producing automobile components, create much-needed jobs. Textiles have long been the primary source of foreign currency revenue, with more than 90% of production being exported, but foreign orders have slowed in the face of increased global competition. A government export promotion center (Centre de Promotion des Exportations - CEPEX) is responsible for identifying new export markets. Tourism and mechanical and electrical equipment sales are the second largest source of foreign currency revenue. About 6.4 million tourists visited Tunisia in 2005, compared to 6 million in 2004, bringing in nearly \$2 billion in convertible currency. The government still retains control over certain "strategic" sectors of the economy (finance, hydrocarbons, the national airline, electricity and gas distribution, telecommunications, and water resources), but the role of the private sector is increasingly important. The Government of Tunisia is now studying the economic impact of a proposed liberalization of petroleum product price controls.
- Agriculture plays a major role in Tunisia, and engages approximately one-fifth of the population. Output makes up nearly 12% of GDP, and comprises about 10% of the overall export of goods. In 2005, Tunisia exported nearly \$940 million of agricultural products, mainly olive oil, seafood, dates and citrus.

- Accessing the Tunisian market can be a challenge for U.S. companies. Geographically part of Africa but culturally more Middle Eastern or Mediterranean, this former French protectorate has extremely close ties to Europe. These have been reinforced by Tunisia's Association Agreement with the European Union (EU) which will create a free trade zone by 2008. Over 70% of Tunisia's foreign trade is with Europe. Tunisia's other major trading partner is Libya. In 2005, total Tunisian imports were \$12.86 billion and exports totaled \$10.2 billion.
- Tunisia is a founding member of the World Trade Organization (WTO) and is publicly committed to a free trade regime and export-led growth. The government would like to expand trade and investment ties outside Europe, but the EU presence in the economy remains dominant. The EU Association Agreement is backed by significant European funding to support the Tunisian economy through the transition period to an open market. Clauses linked to this assistance also prohibit non-EU member countries from participating in major EU-financed projects in Tunisia. U.S. companies are therefore ineligible to bid on certain major contracts.
- Tunisia is a member of the Arab Maghreb Union (UMA), a political-economic grouping of Tunisia, Algeria, Morocco, Mauritania, and Libya, and is also a signatory to several bilateral and multilateral trade agreements, including the Agadir Agreement. This agreement, a framework for a free trade agreement with Egypt, Jordan, and Morocco, will create a potential market of over 100 million people.
- In order to assist U.S. companies in gaining access to the Tunisian market, the U.S. has begun the process under which a Free Trade Agreement (FTA) with Tunisia could be signed. The first step, a Trade and Investment Framework Agreement (TIFA) to formally discuss bilateral trade and investment issues, has been launched. Preliminary discussions took place in Tunis in October 2003 and June 2005, but the completion of an FTA is still some time away.
- The United States is no longer one of Tunisia's major goods suppliers. In 2005 total Tunisian imports were \$12.86 billion of which only 2.5% (\$319.3 million) came from the US. For many years the United States was traditionally the fourth leading supplier, after France, Italy and Germany, but has now dropped to 8<sup>th</sup> position, trailing France (23.5%), Italy (20.9%), Germany (8.2%), Spain (5.1%), Libya (3.9%), China (2.9%) and Belgium (2.6%). Imports of Chinese goods rose by nearly 40% last year, to \$372 million, and are ten times their 1995 level. Over the same period, US exports to Tunisia remained approximately \$300-\$400 million annually.
- Although initial U.S. investment in Tunisia was primarily in the hydrocarbons sector, U.S. companies are now successfully investing in offshore manufacturing industries and are present in both textile production and electrical/mechanical equipment manufacturing. These offshore companies can be established under an attractive regime that offers significant tax incentives to export-oriented investors. In the tourism industry, only three of Tunisia's 800+ hotel units are

affiliated to U.S. groups. Total U.S. investment in Tunisia is estimated at over \$600 million and has contributed to the creation of more than 16,000 jobs.

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- Doing business in Tunisia can be challenging for U.S. companies, which may perceive the Tunisian bureaucracy as cumbersome and slow by U.S. standards, and find that the regulatory environment lacks coherence and consistency. The decision-making process can be opaque and at odds with the government's official pro-business stance, which proclaims transparency. However, with good planning and longer lead times, good results can be obtained.
- Imports from the EU are now mostly exempt from import duties, resulting in a considerable pricing advantage. U.S. products generally enjoy widespread acceptance among Tunisian businesses and consumers, although their perceived edge in quality and technology can be offset by the additional costs associated with the use of European intermediaries as suppliers.
- The EU and many European countries offer excellent financing terms for trade. Tunisian companies are familiar with these opportunities but generally unfamiliar with financing opportunities available when purchasing U.S. goods. The U.S. Embassy in Tunis is working closely with the Ex-Im Bank, OPIC and other U.S. organizations to promote awareness of U.S. financing sources.
- Despite difficulties, U.S. firms often successfully compete against entrenched European interests and have won significant Tunisian government contracts, especially in fields demanding cutting-edge U.S. technology. The U.S. Embassy in Tunis actively promotes these sectors as being the most attractive for U.S. companies.
- U.S. exporters to Tunisia should be aware that Tunisian law prohibits the export of currency as payment for imports before documents are presented to the bank confirming that the merchandise has entered the country. This is usually in the form of Tunisian customs authority documents. U.S. exporters have used confirmed, irrevocable letters of credit and letters of credit authorizing "payment against documents" in past transactions.
- U.S. companies should also be extremely careful to verify whether they are permitted to receive payment in foreign currency for services to customers resident in Tunisia. This issue has been the source of confusion and occasional difficulty for some U.S. companies in Tunisia.

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- For U.S. companies, the best investment opportunities are in sectors that will benefit from U.S. technology (hydrocarbons, power generation, transportation, and telecommunications) or to a lesser extent, in the more labor-intensive offshore, export-oriented industries such as the manufacture of textiles and

mechanical or electrical equipment.

- Due to its favorable year-round climate, Tunisia has a developing tourism industry, but niche travel is under-developed in areas away from the coasts. Possibilities include cultural or historical tours, golf packages, and desert tours.
- Agricultural opportunities for U.S. producers remain bulk commodities, such as wheat, corn and some intermediate products such as soybean meal and planting seeds. The U.S. market share, currently hovering around 10% of overall agricultural imports, has real room for growth despite a price competitiveness gap with the EU caused by substantially higher freight costs and a preferential access granted to the EU following the free trade enactment in the mid-90's.

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- A company planning to invest in totally exporting operations, especially in manufacturing, faces few obstacles. The Government of Tunisia's investment promotion authorities have established a system of regulations that has received favorable feedback from the U.S. companies they have assisted.
- Entering the domestic market, particularly in the services sector, is more difficult. Unless the company is working on a project actively solicited by the Tunisian government or is closely associated with one of the country's well-connected business groups, the process can be fraught with obstacles.
- U.S. companies are strongly advised to obtain official confirmation from the Tunisian authorities of any exceptional conditions granted to a particular trade or investment operation.
- The Embassy strongly encourages all U.S. companies to visit Tunisia prior to entering into a business relationship. U.S. businesses may find there are important aspects to learn about the business climate in Tunisia.

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## Chapter 2: Political and Economic Environment

For background information on the political and economic environment of Tunisia, please click on the link below to the U.S. Department of State Background Notes.

[www.state.gov/r/pa/ei/bgn/5439.htm](http://www.state.gov/r/pa/ei/bgn/5439.htm)

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## **Using an Agent or Distributor**

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Good local agents/distributors are crucial to introducing products into Tunisia. Their knowledge of the local market and local contacts can make the difference between success and failure. The Embassy's Commercial Section provides both the U.S. Department of Commerce's International Company Profile and the International Partner Search services to assist U.S. firms find potential partners.

Many Tunisian businesses are family-owned or controlled. While they might welcome foreign investment in distributing or marketing ventures, they can be very resistant to the idea of ceding any management control of existing enterprises to outsiders.

Distribution or marketing contracts should be very specific about financial obligations and performance measurements. U.S. firms should also consider establishing contracts to cover a probationary period for the prospective partner.

- Tunisian law generally favors the party seeking to maintain a commercial contract, making it difficult for foreign firms to change distributors or agents after entering into a contractual relationship.
- Tunisian commercial legislation contains provisions designed to protect minority shareholder interests which can result in disproportionate influence given to Tunisian minority partners.

U.S. companies should note that, with few exceptions, exclusive distribution contracts in Tunisia are forbidden by law.

## **Establishing an Office**

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Establishing or, more accurately, registering an office of a foreign company in Tunisia is relatively simple. The Foreign Investment Promotion Agency (FIPA) offers a "one stop shop" service to investors seeking to establish a business in Tunisia. Generally, it takes about two weeks to complete the process. Companies should obtain the advice of a local lawyer before starting the process. The Embassy maintains a list of reputable English-speaking attorneys.

- Establishing a company is only the initial step toward commencing operations in the Tunisian market and firms may need to complete a wide range of regulatory, licensing and logistical procedures before introducing their products or services to the market. This can be a long process, but the active involvement of FIPA can speed it up considerably.

FIPA's simplified procedures are not applicable to all commercial activities. The following activities require prior approval from the relevant government agencies: fisheries, tourism, transportation, communications, education and training, publishing and advertising, film production, health, real estate development, weapons and ammunition, machine-made carpets, waste treatment and recycling, manufacture of wine, tobacco, and edible oils.

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The Tunisian government does not encourage traditional franchise arrangements with foreign companies, arguing there is no existing legal framework to regulate these operations satisfactorily. In addition, the Government of Tunisia has stated that it cannot permit foreign food franchises to operate because they could damage the livelihoods of small-scale local operators. This policy dates from 1996, when several franchise projects underway at that time, including department stores and restaurants, were blocked by the Government.

- The Government of Tunisia used this policy to halt a well-advanced project to introduce McDonalds to the Tunisian market.
- Although Pizza Hut was established in Tunisia by a Saudi Arabian franchise-holder, and operated for three years, it was targeted in a government campaign which eventually led to its closure in 1999 on the basis of a legal technicality.

Franchise-style operations which market a high percentage of Tunisian-made goods in the company chain (either locally or abroad) may be permitted, but approval is granted on a case-by-case basis. Some foreign companies with franchise-style operations in Tunisia are remunerated for "technical assistance" to companies in Tunisia via export payments authorized by the Central Bank.

France's Carrefour hypermarket, which opened in 2001, has been publicized as a joint venture with a major Tunisian industrial group. Champion, another Carrefour group company, recently opened two smaller supermarkets. France's Casino chain of supermarkets opened a store under the Géant banner, in partnership with another major Tunisian group. All sell a wide range of locally manufactured and imported items.

- For the time being, U.S. companies should consider the Tunisian market closed to classic franchise operations requiring the export of royalty payments. The TIFA process and WTO requirements on service industries should eventually open up this sector.

## **Direct Marketing**

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Direct marketing is still in its infancy. Tunisian business is largely dependent upon personal relationships. Customers increasingly expect access to after-sales service and are sometimes reluctant to purchase new products, technologies, or brand names in the absence of a local representative.

- Direct marketing is currently not an optimal way to introduce new products to Tunisia.

## **Joint Ventures/Licensing**

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There are several examples of very successful U.S./Tunisian joint ventures. U.S. companies should be rigorous when selecting a partner, and the Embassy strongly recommends that U.S. firms retain management control of any joint venture company.

Joint venture agreements should also clearly establish a binding dispute settlement procedure (such as referring cases to the International Court for Arbitration) acceptable to both parties.

Licensing agreements have also worked well, but may require periodic visits to ensure adherence to quality control and other standards.

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The Tunisian government makes the majority of its purchases from foreign suppliers through international tenders. These tenders are published widely in the local media; the larger tenders are sometimes disseminated in selected foreign journals as well. The Embassy's Commercial Section reports best prospects to the Department of Commerce, which in turn informs prospective U.S. suppliers. Tunisian legislation permits granting of certain contracts without recourse to public tender. Tunisia's Association Agreement with the EU bars non-EU countries from certain major tenders receiving EU financing.

Bids on tenders must normally be submitted in French. In general, U.S. firms have found that tender procedures require the submission of complex documentation within a very short period of time.

Tunisian government agencies tend to adhere strictly to tender regulations and specifications. Firms have been disqualified for apparently minor problems such as submitting proposals with technically insignificant differences in specifications. U.S. bidders should not assume, as is often the case in the U.S., that potential customers are looking to the bidders to design solutions to a given problem. Tunisian government



agencies typically arrive at desired solutions through pre-tender studies and then solicit specific equipment or services.

Bids that do not meet tender specifications, even if technically superior to the solicited proposal, will usually be disqualified. U.S. bidders interested in submitting proposals at variance with the tender specifications should do so only as a clearly identified alternative to their principal, fully conforming bid. They should further ensure that submission of an alternative bid does not disqualify the main offer.

The government has a reputation for lengthy and persistent negotiations, and U.S. firms are advised to allow for this in their initial bid. Negotiations on contracts won by U.S. and other foreign firms have lasted up to a year. Performance bonds of between 1% and 10% are common on government contracts. The government will generally adhere as strictly to the specifications of the contract as it does to the tender specifications, and it will expect similar adherence from the contractor.

Major contracts require review by the Commission Supérieure des Marchés, a quasi-independent contracting oversight office that reports to the Prime Minister. Some major contracts may also require approval by the Chamber of Deputies, which is normally in session from November to June.

U.S. firms should be aware that many factors influence the Government's evaluation of bids:

- Contribution to the local economy via investment in, or partnership with, a Tunisian entity.
- Transfer of skills or technology.
- Contribution to local employment (unlike the labor-saving emphasis of the U.S. market).
- The long-term financial impact (cost, financing packages, impact on balance of trade).

While U.S. bids have typically been very competitive on price and technology, European firms usually benefit from stronger financing packages and links to the local economy. Both U.S. and European companies are disadvantaged by generous financing programs offered by countries such as China who are not bound by OECD regulations.

- Non-transparency in the decision-making process has occurred in the past. However, this has not been specifically aimed at U.S. companies.

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Tunisian law allows both wholesale and retail marketing by foreign businesses. The Tunisian government has somewhat relaxed its policy of discouraging new foreign investment in domestic market retail distribution and publicly backed the opening of several hypermarkets, set up under joint ventures, with France's Carrefour and Casino

groups. New legislation, designed to protect smaller businesses from this competition, aims to limit the number of hypermarkets authorized in a specific area.

Goods distribution in Tunisia is well organized. Goods typically enter Tunisia via one of the country's major sea ports (Tunis, Sousse, Sfax, and Bizerte) or the major freight center at Tunis Carthage airport, which handles 97% of the country's air freight traffic. There are good road and rail networks nationwide for distribution to all parts of the country.

### **Selling Factors/Techniques**

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Although the official language is Arabic, French is widely spoken and serves as the common business language. Many Tunisians also speak English, and/or Italian and German.

- Business documentation should be in French.
- Use of e-mail is still not commonplace.
- Most Tunisian companies still use fax as the favored means of business communication.

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Tunisia lags behind in the widespread use of e-commerce. Debit cards can be used for Internet payment for some services, including public utilities and university registration. The Tunisian postal service operates an electronic payment system called e-dinar. Customers establish a virtual account and replenish it by purchasing credit at a post office. Many public services in Tunisia can be paid for using e-dinars.

- Credit card operations and accounts have only recently appeared. Tunisian bank customers use cash, debit cards or checks to make payment in stores, restaurants or for public services. An estimated 800,000 debit cards are in circulation.

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Many Tunisian companies are only now beginning to exploit advertising and trade promotion techniques. Although the sector is developing rapidly, it remains small with total investment in advertising in 2004 estimated at only \$45 million.

There are a number of different marketing/advertising opportunities, including sporting event sponsorship, industry-specific trade fairs, direct mail, outdoor/vehicle advertising, print media, and, to a lesser extent, electronic media. Company sponsorship of television programs, particularly locally-produced "sitcoms", is growing rapidly. The local print media in Tunisia generally accept paid advertising. There are accepted standards for advertising. References to religion are generally not acceptable. Local attorneys or marketing specialists can advise foreigners on the acceptability of various aspects of a promotional campaign. For marketing purposes, urban society in Tunisia is probably best described as similar to and heavily influenced by European standards.

The state-run Tunisian broadcasting authority, ERTT, broadcasts two Arabic-language TV channels and transmits programs from Italy's Rai Uno. Satellite television is widely watched and Tunisians closely follow Arabic satellite channels such as Al Jazeera. A private Tunisian radio station was launched in 2003, followed by a private television station in 2004. Two more private television stations are planned, one funded with French capital and the other with joint Tunisian/Italian financial backing.

Foreign commercial advertising is accepted, but under standards applied even more strictly than for print media. Advertising rates in the broadcast media discriminate against foreign-origin goods. Advertising time for foreign goods can cost three or four times as much as for goods of Tunisian origin.

Legally, the dominant portion of any storefront sign must appear in Arabic, although French signs are also permitted, and widely used. This legislation is enforced only sporadically.

There are a large number of industry-specific trade shows, general exhibitions, and promotional events. Most major Tunisian cities boast at least one exhibition center; Tunis has three (Le Kram, CIFCO and Tunis Expo). A major multi-sector international fair, the Tunis International Fair, is held every two years at Le Kram. The next one is scheduled for October 2006.

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Except for food items, many of which are subsidized local products or higher-priced regional imports, products on the local urban market are priced at levels roughly equivalent to major urban centers in the U.S.

- Price cutting at the retail level is a new and rapidly-increasing phenomenon and small retailers are being forced out of the market by larger companies. This has resulted in new legislation being considered to protect smaller businesses from aggressive competition; the new legislation will limit the zones where large stores can operate.

U.S. durable goods (e.g., machine tools, generators) currently available on the Tunisian market tend to be significantly more expensive than European or Asian models. This cost differential is partly due to the duty-free import of EU products into Tunisia, but also because of the additional charges added on by European intermediaries of U.S. goods. In the past, possibly because of language or cultural differences, U.S. suppliers of manufactured goods have been reluctant to deal directly with Tunisian distributors. However, the majority of local distributors have expressed a strong interest in eliminating the "middleman" – usually the European office that has responsibility for the regional market in existing distributor relationships.

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Tunisian consumers are becoming accustomed to after-sales service and have begun to expect a higher degree of customer support. The Government of Tunisia has instituted measures to increase consumer protection, including a Ministry of Commerce-designed standard sales contract detailing the requirements of retail or manufacturer guarantees. The model contract is included as an annex to a 1999 law requiring specific clauses in all guarantees of electronic and household equipment.

In addition to providing technical instructions in Arabic and French or English and providing verification of proper functioning and good condition of merchandise, this law includes a schedule of reimbursements to be made if faulty merchandise cannot be adequately repaired within 15 days of notification from the consumer.

## **Protecting Your Intellectual Property**

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In line with its obligations under the EU Association Agreement, and in order to attract foreign direct investment, Tunisia has passed extensive legislation to protect intellectual property.

Tunisian law provides for copyright and trademark registration and protection. To obtain enforcement, U.S. firms must register their trademarks and industrial designs with the Tunisian Institute for Standardization and Industrial Property (INNORPI - Institut National de la Normalisation et de la Propriété Industrielle).

Enforcement of the intellectual property rights (IPR) legislation, however, remains weak. Recent U.S.-government supported initiatives, such as the Department of Commerce's Commercial Law Development Program and U.S. Patent and Trademark Office seminars, offer training to Tunisian decision makers in the field of IPR regulation enforcement.

Although Tunisian legislation prohibits the "disclosure" of research and other proprietary information submitted during patent and marketing licensing application, U.S. companies contend that these steps are insufficient to prevent the unauthorized "use" of such data. The U.S. government continues to advocate in favor of Tunisia's strengthening its IPR laws in this regard.

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Market research firms, such as a representative office of Dun & Bradstreet International, are present in Tunisia, as well as public certified accountants affiliated with major international companies. These companies can supply limited credit information on a selective basis. However, it is often difficult to perform due diligence on banks, agents, and customers. Banks will not provide information on business clients without explicit permission from the clients themselves, and then will only provide limited details. Credit checks and reports are not readily available.

- U.S. companies that require due diligence investigations are encouraged to contact the U.S. Embassy in Tunis and inquire about its International Company Profile (ICP) service. The ICP service can provide extensive background

information about a Tunisian company, including its capital, principals, foreign clients, market share, etc., but the financial details provided by the company's bank are usually vague and non-committal.

### Local Professional Services

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Although the Embassy is not authorized to recommend any particular individual or company, it maintains a list of local attorneys, accountants and translators who have experience working with U.S. companies and interests in Tunisia.

### Web Resources

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Tunisian Government	<a href="http://www.ministeres.tn">www.ministeres.tn</a>
Central Bank of Tunisia	<a href="http://www.bct.gov.tn">www.bct.gov.tn</a>
Investment Promotion Agency (FIPA)	<a href="http://www.investintunisia.com">www.investintunisia.com</a>
Tunisian Industrial Promotion Agency	<a href="http://www.tunisieindustrie.nat.tn">www.tunisieindustrie.nat.tn</a>
General Information about Tunisia	<a href="http://www.tunisie.com">www.tunisie.com</a>
Tunisian Yellow Pages	<a href="http://www.pagesjaunes.com.tn">www.pagesjaunes.com.tn</a>
CEPEX	<a href="http://www.cepex.nat.tn">www.cepex.nat.tn</a>
APBT (bankers' association)	<a href="http://www.apbt.org.tn">www.apbt.org.tn</a>
UTICA (employers' association)	<a href="http://www.utica.org.tn">www.utica.org.tn</a>
European Union (EU)	<a href="http://europa.eu.int">http://europa.eu.int</a>
IACE (Institute of Heads of Arab companies)	<a href="http://www.iace.org.tn">www.iace.org.tn</a>
INNORPI (National Standards Institution)	<a href="http://www.inorpi.ind.tn">www.inorpi.ind.tn</a>
FIPA office in the U.S.	<a href="mailto:fipany@ix.ntconm.com">fipany@ix.ntconm.com</a>

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### Telecommunications Equipment/Services

Tunisia fulfilled a major commitment under the WTO basic telecommunications agreement (which required market access and same national treatment for foreign telephone service providers by January 2003) when the sector was opened up to foreign competition for a private cellular network license. No U.S. companies bid for the license, which was awarded to Orascom of Egypt and marketed as Tunisiana. Tunisiana is a major success story and now has two million subscribers. A Tunisian/Monagasque (from Monaco) consortium, Divona, has been awarded the contract for operation of a VSAT license.

All sectors of the telecommunication industry are expanding rapidly and there are excellent opportunities for US companies. In recent years, U.S. firms have been successful in fields such as fiber optics and local loop systems.

## Opportunities

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Tunisia now has one of the highest mobile phone subscriber rates in Africa, with an estimated 46.1% of the population owning a mobile phone. With approximately 2.5 million subscribers, Tunisiana's rapid expansion has reduced pressure on the GSM network operated by the national telecommunications agency, Tunisie Telecom, which has about three million subscribers. The Government of Tunisia is again turning its attention to promoting expansion of its land line telephone network. An ongoing program to install 140,000 new lines (bringing the total up to 1.3 million) aims to promote Internet use in Tunisia. It is estimated that there are 1 million Internet users in Tunisia, but there are only about 300,000 actual subscribers.

A new industry in Tunisia is the operation of call centers. The infrastructure in country, coupled with good human capacity supports this industry well, and there are now about 20 call centers operating successfully, and serving primarily French-speaking clients, with some Italian as well. Operations are looking for increased access to serve English-speaking clients in North America.

The partial privatization of Tunisie Telecom is also underway. Bids for 35% of its capital have been submitted and a decision is expected in early 2006. Privatization will attract about \$1.3 billion in Foreign Direct Investment (FDI). Tunisia has been cautious on third generation (3-G) mobile phone technology, but Chinese telecommunications operator Huawei provided UMTS equipment for a trial of 3G services up to and during the UN World Summit on the Information Society in November 2005. Huawei, which is not bound by OECD regulations, bids aggressively on current telecommunications tenders and has been able to offer exceptional financing terms that U.S. and European competitors are not able to match. Siemens, Alcatel and Ericsson are the major European competitors in the sector. A second Chinese company, ZTE, is also active in the market.

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Tunisian Government (Telecommunications Ministry)  
National Internet Agency  
Tunisian Postal Service  
Investment Promotion Agency (FIPA)

[www.ministeres.tn](http://www.ministeres.tn)  
[www.ati.tn](http://www.ati.tn)  
[www.poste.tn](http://www.poste.tn)  
[www.investintunisia.com](http://www.investintunisia.com)

## Electrical Power Systems

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The Government of Tunisia has stated that it views independent power projects (IPP) as the best way to meet Tunisia's annual 7% growth in electricity consumption. However Societe Tunisienne du Gaz et de l'Electricite (STEG), the state utility company which operated a monopoly for many years, continues to demonstrate resistance to private investment in the sector.

A tender for a 380/450 megawatt (MW) combined cycle electricity plant, to be built at Ghannouch (on the southern coast) was issued by the government at the end of 2005. The project, expected to cost about \$250 million, will bring total production capacity up to over 3000 MW. Tunisia's first IPP, a 470 MW combined cycle electrical power plant, started operation in 2002. The U.S.-led consortium, Carthage Power, which installed the \$260 million plant, was a joint venture between PSEG of New Jersey and a Japanese enterprise, Marubeni. The U.S. stake of 60% was subsequently sold to BTU Ventures, a private equity and project development firm registered in Boston with shareholders from Qatar, Kuwait and Bahrain. GE has been particularly successful in marketing gas turbines in Tunisia for electricity production.

A private U.S. initiative to produce electricity from flared gas is also in operation. Societe d'Electricite d'El Bibane (SEEB) is a joint venture between the U.S.'s Caterpillar Power Ventures and the Canadian Company Candax. SEEB successfully lobbied for a change in Tunisian legislation to permit the supply of privately produced electricity to the STEG-run national grid.

The government is also studying a project for a 300 MW project to produce electricity from wind energy. The initial phase of 100 MW was originally expected to be operational by 2006 but will probably be delayed. The use of solar energy remains limited and is currently used only by individual households and a few communal organizations.

### Opportunities

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Opportunities for sales of U.S.-origin power generation equipment include the project to build a 380/450 MW combined cycle electricity plant at Ghannouch. The sector offers some of the largest and best opportunities both for equipment exports and, in the case of future Build-Own-Operate (B-O-O) or Build-Operate-Transfer (B-O-T) projects, investment in the Tunisian market. Competition to U.S. power generation firms comes largely from European competitors such as ABB (Switzerland/Sweden), CGE (France), and Siemens (Germany).

Major power projects already underway include installation of a 275 kilometer Tunisia/Libya natural gas pipeline, with Tunisia's share of the cost estimated at \$285 million. The pipeline will provide Tunisia with 2 billion cubic meters of Libyan gas each year. Future projects include a newly-revealed plan to link the electricity distribution



networks across North Africa, offering considerable opportunities for U.S. suppliers of equipment and engineering services.

#### Web Resources

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Tunisian Government (Ministry of Industry)  
ETAP (National Petroleum Agency)  
STEG (state gas/electricity utility)  
Investment Promotion Agency (FIPA)  
Tunisian Industry (government site)

[www.ministeres.tn](http://www.ministeres.tn)  
[www.etap.com.tn](http://www.etap.com.tn)  
<http://www.steg.com.tn>  
[www.investintunisia.com](http://www.investintunisia.com)  
[www.tunisieindustrie.nat.tn](http://www.tunisieindustrie.nat.tn)

### Aircraft/Airport Ground Support

#### Overview

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Tunisair, the state airline, had a majority Boeing fleet for many years but currently operates more European Airbus planes. The company currently operates 29 planes (18 Airbus and 11 Boeing) and is planning to renew the aging fleet over the next ten years. The company is again performing satisfactorily after a bleak post 9/11 period. A rigorous re-organization was carried out and the financial situation has improved considerably. Staff levels have been cut dramatically and non-core operations spun off as partially private ventures.

In addition to Tunisair, Tunisia has two privately-run airlines, Nouvelair and Karthago, which work largely with European tour operators. There are also two small companies which service offshore and desert petroleum installations.

#### Opportunities

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The contract award to build a new international airport at Enfidha is still pending, 18 months after bids were received. This B-O-T project for Tunisia's seventh international airport, to be located 60 kilometers north of the coastal town of Sousse, was originally due to become operational in 2004. The new airport, costing as estimated 200 million, will have initial annual capacity of 5 million passengers. This will increase to 30 million by 2038. Tunisia's civil aviation authority (OACA - Office de l'Aviation Civile et des Aéroports) is planning a new charter traffic airport adjacent to the capital's Tunis Carthage international airport.

In addition to equipping projects for this new and expanded airport capacity, OACA is also upgrading the national air traffic control network, radar, navigation equipment, landing equipment, and airport security systems.

#### Web Resources

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Tunisian Government (Transport Ministry)

[www.ministeres.tn](http://www.ministeres.tn)



Tunisair (state airline)  
Civil Aviation Agency  
Investment Promotion Agency (FIPA)  
Tunisian Industry (government site)

[www.tunisair.com.tn](http://www.tunisair.com.tn)  
[www.oaca.nat.tn](http://www.oaca.nat.tn)  
[www.investintunisia.com](http://www.investintunisia.com)  
[www.tunisieindustrie.nat.tn](http://www.tunisieindustrie.nat.tn)

## **Automotive Parts/Services/Equipment**

### **Overview**

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During the past two years, the U.S. passenger car has begun to penetrate the Tunisian market. In the past, due to very high taxes on big engine vehicles, the Tunisian market did not offer much potential for U.S. automobile manufacturers. Additionally, Tunisians who can afford expensive cars tend to choose top-of-the line European models.

### **Opportunities**

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The Tunisian automobile market is diversifying away from the traditional European brands and there is room for U.S. manufacturers and suppliers of spare parts. Both Chevrolet and Ford are now moving into the automobile car market. Chevrolet is represented by a Tunisian company that already assembles GM's Isuzu trucks; this company has now begun to market smaller engine GM cars. Ford's representative in Tunisia already markets smaller automobiles and has plans to start assembly of pickup trucks.

Investment in manufacturing automobile components for export is a priority sector for the Government of Tunisia (see Chapter 6, Statement). Several U.S. companies have successfully invested in this sector.

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Tunisian Government (Ministry of Commerce)  
Investment Promotion Agency (FIPA)  
Tunisian Industry (government site)

[www.ministeres.tn](http://www.ministeres.tn)  
[www.investintunisia.com](http://www.investintunisia.com)  
[www.tunisieindustrie.nat.tn](http://www.tunisieindustrie.nat.tn)

## **Architecture/Construction/Engineering Services**

### **Overview**

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Bechtel is the only U.S. construction company that has been active in Tunisia in recent years and has participated in consortium bidding on the long-delayed and still pending construction contract to build a new international airport at Enfidha.

Work has begun on a Japanese-financed \$100 million project to build a 7-kilometer bridge to replace the Rades-La Goulette ferry near the port of Tunis. The bridge will link the highway systems north and south of the capital and remove a major bottleneck. Construction of new major interchanges within the city of Tunis will begin in 2006.

## Opportunities

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The Government of Tunisia has announced plans to create a deep-water B-O-T commercial port at Enfidha. The site for the \$380 million port lies near the planned airport. Both major road and rail systems serve the area, which the Government of Tunisia hopes to develop into a regional transport center. Other major port projects include a \$70 million investment for the construction of a container port at Rades, Tunisia's leading commercial port, and a nearby cruise terminal.

Major road construction projects include termination of the 140-kilometers Tunis-Bou Salem highway, and the extension of the existing Tunis-Sousse highway to Sfax, Tunisia's second largest city. This section will be opened during 2007, and the highway will reach Ras Jedir, on the Libyan border, by 2013. Regional long-term highway construction prospects include an Arab-Maghreb Union (UMA) project to complete a trans-Maghreb highway linking Nouakchott to Cairo via the Maghreb country capitals. When Tunisia's on-going highway construction projects are finished, only the short stretch between Bou Salem and the Algerian border will still have to be built in order to complete the trans-Tunisia highway.

A tender for Tunisia's new oil refinery was launched late 2005. The B-O-O project will be built at La Skhira, on the southern coastline. Daily consumption of refined products is now over 80,000 barrels, two thirds of which are imported. The new plant will have a 120,000 barrel capacity four times that of the only existing refinery, situated at Bizerte. Tunisia has only modest proven oil reserves and, with annual production falling, has been a net importer for the past five years. A project to build a turnkey phosphoric acid plant, also at La Skhira, has been launched. The Government of Tunisia is seeking foreign investment for the project, which is part of a long-term plan to move chemical production plants way from the city of Sfax and develop them at La Skhira, which already has an industrial port and a major petroleum terminal.

Financing for major projects to upgrade the urban transport system in Tunis and improve the railway travel network between Tunis and Gabes was announced in 2005.

In addition to construction work, U.S. companies can become involved in major infrastructure projects such as supplying engineering services or developing partnerships with Tunisian construction companies. These types of projects have been successful in the past; for example, the recently completed U.S. Embassy compound.

## Web Resources

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Tunisian Government (Transport Ministry)		<a href="http://www.ministeres.tn">www.ministeres.tn</a>
OMMP (national ports office)	No website – see	<a href="http://www.cetmo.org">www.cetmo.org</a>
SNCFT (national railway company)	No website – see	<a href="http://www.cetmo.org">www.cetmo.org</a>
OACA (national civil aviation agency)		<a href="http://www.oaca.nat.tn">www.oaca.nat.tn</a>

## Pollution Control Equipment

## Overview

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The market has enormous potential, and anticipated tenders for landfill, construction and management projects, and coastal pollution projects all offer good opportunities for U.S. technology.

Nevertheless, U.S. exporters of environmental goods and services face stiff competition from European competitors. U.S. companies were excluded from the \$155 million EU-financed project for the long awaited B-O-T Tunis West wastewater treatment facility because non-EU companies were not permitted to bid. Expansion of desalinization installations to produce drinking water in the Djerba/Gabes area also requires major investment, but here again U.S. companies are excluded due to EU-financing.

## Opportunities

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US companies will have access to projects requiring investment in agricultural land management and the clean-up of Tunisia's industrial environment. These will be smaller projects than the major EU-financed investments but will certainly provide opportunities for US equipment.

## Web Resources

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Environmental Institutions in Tunisia [www.tunisie.com/environnement/institutions.html](http://www.tunisie.com/environnement/institutions.html)  
European Union <http://europa.eu.int>

## Agricultural Sector

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The agricultural sector accounts for about 12% of GDP and employs roughly 20% of the country's population. Tunisia can suffer from periodic severe drought and, despite major investment in irrigation infrastructure, agricultural production remains heavily dependent on climatic conditions.

## Overview

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### Cereals and Meal Feed

Tunisia remains a significant market for cereals and feed meals, particularly during drought years when domestic rain-fed cereals' output can be greatly reduced. In 2005, aggregate cereal imports reached 2.2 million tons valued at nearly \$320 million. Feed meal imports are almost exclusively made up of soy meal. Nearly 245,000 tons, worth about \$64 million, were imported during 2005 for the Tunisian poultry sector and, to a lesser extent, the dairy sector. The U.S. wheat market share is highly volatile. It can reach 15 to 20% and then vanish the following year, as a result of ever-shifting market conditions, including the availability of cheaper wheat from the Black Sea region and/or subsidized wheat from the EU. Conversely, the U.S. has been and continues to be the leading supplier of corn, traditionally capturing a 70% market share.

## Grain Silos/Elevators, Agricultural Equipment

There is a sizable market for agricultural equipment in Tunisia. A government decision to privatize grain storage has created a demand for grain silos and elevators and there are good opportunities for U.S. suppliers.

The Office of Agricultural Affairs (OAA) of the U.S. Embassy in Tunis, Tunisia, is one of the overseas posts of the Foreign Agricultural Service (FAS) (<http://www.fas.a.gov/>), an agency of the U.S. Department of Agriculture (USDA) (<http://www.a.gov/>).

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## Chapter 5: Trade Regulations and Standards

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- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

### Import Tariffs

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Imports can be subject to tariff rates over 200%. Goods are also subject to a customs formality fee, currently amounting to 3% of the total duties paid on the import.

Certain imports are also liable for a value added tax (VAT). Tunisia's basic VAT rates are 29%, 18%, 10% and 6%, with the majority of goods covered by the 18% rate. Recent changes in the calculation of the VAT tax base have resulted in slightly higher rates for some consumer goods that were previously taxed at 29%. Tunisia calculates VAT on the base price of the goods plus any import duties, surcharges, and consumption taxes.

A consumption tax is applicable to certain imported and similar locally produced items. Rates can vary from 10% to as high as 700%. The highest rates are applicable to luxury items such as champagne. Automobiles with large engine capacity are also heavily taxed, at rates rising to over 250%.

### Trade Barriers

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Tunisia is a founding member of the World Trade Organization (WTO). While maintaining restrictions on designated strategic areas, the Tunisian government has pursued a program of liberalizing imports.

- Approximately 97% of imports do not require prior authorization. In 1986 only 23.6% of imports could be freely imported.

Tunisia still has non-tariff barriers such as import licenses or quotas on certain products. These particularly apply to consumer goods that compete against locally-produced equivalents manufactured by developing industries or to products for which there is no domestic production to satisfy consumer demand. The major categories affected by import restrictions are motor vehicles, in particular passenger cars, and pharmaceuticals.

Automobile distributors officially representing foreign manufacturers are granted allotments of the annually-set national quota for the import of small-engine (4 horsepower) cars. These allotments are based to some extent on the amount of

Tunisian-produced automobile components utilized in the foreign manufacturer's automobile designs, and would-be importers would have to request an allotment from the government of Tunisia in order to receive an import license. This quota system is only for small engine cars; however, in general, individual Tunisian consumers may not import foreign vehicles privately, because of foreign exchange controls.

Working within the letter of WTO requirements, Tunisia vigorously protects its domestic pharmaceutical industry. Several multinationals have complained about the "correlation" system under which, upon request from a Tunisian pharmaceuticals manufacturer, the importation of a foreign drug similar to the one produced locally can be suspended. The Government of Tunisia has stated that the system will be phased out gradually.

Inconsistent procedures within the Tunisian customs administration can be a major obstacle for importers. Government use of non-tariff barriers has sometimes led to the delay or rejection of goods shipped to Tunisia. However, this is not common practice and is not aimed specifically at goods imported from the U.S. Importers have experienced extended delays in customs clearance due to legally required, but not uniformly invoked, technical and quality control investigations on various items.

Agricultural products are generally assessed with high import duties and in some cases face other import barriers. Tunisia often gives preferential tariff rates to agricultural products originating in Arab and North African nations.

#### **Import Requirements and Documentation**

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Tunisian law prohibits the export of foreign currency from Tunisia as payment for imports prior to the presentation to the bank of certain documents which serve to confirm that the merchandise has entered the country. Usually Tunisian customs authority documents are used for this. Importers obtain hard currency for payment by presenting the documents to their commercial bank.

- To ensure payment, U.S. exporters have used confirmed, irrevocable letters of credit and letters of credit authorizing "payment against documents" in past transactions.

Other than applicable import license requirements, no specific documentation is required.

#### **U.S. Export Controls**

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Relatively few exports require an export license. Licenses are required in certain situations involving national security, foreign policy, short-supply, nuclear non-proliferation, missile technology, chemical and biological weapons, regional stability, crime control, or terrorist concerns. License requirements are dependent upon an item's technical characteristics, the destination, the end-use, the end-user, and other activities of the end-user. Another issue is the likelihood that an item will be diverted from its original shipment location or purpose and transshipped to another, unrecorded location. It is the responsibility of the company seeking to do business in Tunisia to determine

whether or not an export license is necessary for your product or service. The Department of Commerce, Bureau of Industry and Security maintains some guidance at: <http://www.export.gov/exportcontrols.html>

### **Temporary Entry**

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Offshore enterprises are allowed temporary entry of goods and equipment. Goods are allowed limited duty-free entry into Tunisia for transformation and re-exportation. Factories set up under this scheme are considered bonded warehouses and have their own assigned customs personnel.

Goods may also be granted temporary duty-free entry for use in trade shows, but the establishment of adequate prior documentation is vital; otherwise customs duties may be payable on promotional material of no commercial value.

### **Labeling and Marking Requirements**

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The Consumer Protection Law of 1992 established standard labeling and marking requirements. However, these regulations are not always fully enforced for locally-made items produced for the domestic market. The labeling of items produced for export must meet international standards.

### **Prohibited and Restricted Imports**

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Imports of explosives, military, and security-related equipment are tightly controlled. Imports are only allowed under license. Narcotics and pornographic items are strictly forbidden.

### **Customs Contact Information**

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The Tunisian customs authorities do not maintain a website. Tariff information is contained in the “Nomenclature de Dedouanement des Produits” document, which has not been updated since 2002 and is thus out-of-date. However, freight companies working in Tunisia have access to a system operated by the customs authorities which provides current rates.

The customs authorities can be contacted as follows:

Direction Générale des Douanes  
5 Rue Ichbilila  
Tunis  
Tel: (216)-71-353-685  
Fax: (216)-71-353-257

### **Standards**

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- [Overview](#)
- [Standards Organizations](#)
- [Conformity Assessment](#)
- [Product Certification](#)
- [Accreditation](#)
- [Publication of Technical Regulations](#)
- [Labeling and Marking](#)

## Overview

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- Tunisian consumers are gradually becoming aware of their right to expect acceptable standards.
- Products available on the flourishing parallel market in Tunisia often do not meet acceptable safety standards.

## Standards Organizations

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Tunisia is currently embracing ISO 9000/9002 standards. The National Institute for Standardization and Industrial Property (INNORPI) is responsible for establishing national standards and has instituted ISO 14000 certification procedures. Many firms in the industrial sector have already achieved ISO 9000 or 9002 certification. Tunisian consumers are gradually becoming aware of their right to expect acceptable standards.

## NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. "Notify U.S." is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at: <http://www.nist.gov/notifyus/>

## Conformity Assessment

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INNORPI is responsible for coordinating the creation of norms and standards, certification and information relating to these, as well as the general program of development of technical norms, certification of quality of products, and management of national trademarks for conformity.

## Publication of Technical Regulations

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All legal announcements are published in the “Journal Officiel de la République Tunisienne – Annonces Légales, Règlementaires et Judiciaires”.

## **Labeling and Marking**

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The Consumer Protection Law of 1992 established standard labeling and marking requirements. However, these regulations are not always fully enforced for locally-made items produced for the domestic market. The labeling of items produced for export must meet international standards.

## **Trade Agreements**

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Tunisia is a member of the Arab Maghreb Union (UMA) consisting of Tunisia, Algeria, Morocco, Mauritania, and Libya, a political/economic grouping across North Africa. The UMA nominally allows duty-free trade among members although barriers to trade remain.

- Tunisia's most effective free trade agreement has come via its associate membership with the EU, allowing preferential access for most Tunisian exports, except certain textile and agricultural products. Tunisia formally ratified its Association Agreement with the EU in June 1996. The agreement will gradually lower tariffs to zero over a 12-year period ending in 2008. Tunisia receives assistance from the EU for its local industries during this transitional period.
- The framework for a free trade agreement with Egypt, Jordan, and Morocco, known as the Agadir Agreement, was signed in early 2004. This agreement, a framework for a free trade agreement with Egypt, Jordan, and Morocco, will create a potential market of over 100 million people. Tunisia is also a signatory to several bilateral trade agreements.

## **Web Resources**

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Tunisian Government (Ministry of Commerce)  
European Union  
National Statistics Institute  
INNORPI (National Standards Institution)

[www.ministeres.tn](http://www.ministeres.tn)  
<http://europa.eu.int>  
[www.ins.nat.tn](http://www.ins.nat.tn)  
[www.inorpi.ind.tn](http://www.inorpi.ind.tn)

Journal Officiel de la République Tunisienne  
Imprimerie Officielle  
Avenue Farhat Hached  
2098 Rades  
Tunis  
Tel: (216)-71-434-211

no website

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## Chapter 6: Investment Climate

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- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
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### Openness to Foreign Investment

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The Tunisian government actively encourages selected foreign direct investment (FDI), particularly for export-oriented industries. It screens potential FDI to minimize the impact of the investment on domestic competitors and employment.

Total FDI in Tunisia is estimated at about \$15 billion. It has contributed to the creation of over 2,600 companies and approximately 250,000 new jobs. Foreign investment in manufacturing industries producing for export has long been the major generator of jobs in Tunisia and has attracted the bulk of FDI. In 2005 FDI totaled \$750 million, compared to about \$1 billion in 2004.

Until recently the Government discouraged foreign investment in service sectors such as restaurants, real estate, and retail distribution but there are signs of relaxation of this policy. In particular, FDI in retail distribution is expanding rapidly. The 2002 sale of the country's first private GSM cell phone license to Egypt's Orascom underlined Tunisia's commitment to WTO to open up telecommunications to foreign investment. Major FDI has also entered the financial sector via the partial privatization of the UIB (Union International de Banques), when 52% of its capital was sold to France's Société Générale. The privatization of the Banque du Sud was completed in late 2005. The Spanish/Moroccan consortium, which paid approximately \$45 million for the state's 34% share of the bank's capital, gained majority control of the bank when it also purchased a 17% block of shares from a private Tunisian group.

Foreign investment in Tunisia is regulated by the Investment Code Law No. 93-120, dating from December 1993. It covers all major sectors of economic activity except mining, energy, the financial sector and domestic trade.

The legislation contains two major hurdles for potential FDI:

- Foreign investors are denied national treatment in the agriculture sector. Foreign ownership of agricultural land is prohibited, although land can be secured through long-term (up to 40 years) lease. However, the Government actively promotes foreign investment in agricultural export projects.
- For onshore companies outside the tourism sector, government authorization is required if the foreign capital share exceeds 49%.

Investment in manufacturing industries, agriculture, agribusiness, public works, and certain services requires only a simple declaration of intent to invest. Other sectors can require a series of Government of Tunisia authorizations.

FDI in certain state monopoly activities (electricity, water, postal services) can be carried out following establishment of a concession agreement. There are also certain restrictions on trade activities. With few exceptions, domestic trading can only be carried out by a company set up under Tunisian law, in which the majority of the share capital is held by Tunisians and management is Tunisians. An additional barrier to non-EU investment results from Tunisia's Association Agreement with the European Union. The EU is providing massive funding to Tunisia for major investment but clauses in the agreement prohibit non-EU member countries from participation in many EU-funded projects.

In an attempt to create a more level playing field for U.S. companies, the U.S. has begun the process of establishing a Free Trade Agreement (FTA) with Tunisia. The first step, a Trade and investment Framework Agreement (TIFA) to formally discuss bilateral trade and investment issues, was launched in 2003 and a TIFA Council meeting was held in Tunis in mid-2005. However, the signature of a full FTA is still some time away.

- A large share of Tunisia's FDI in recent years has come from a privatization program to sell off state-owned or state-controlled enterprises. The program began in 1987 with the sale of the smallest and least viable public sector enterprises, but has since included major state assets.
- Enterprises currently undergoing total or partial privatization include Tunisie Telecom, the government telecommunications agency. Sale of the Government of Tunisia's 35% share, due to be completed in early 2006, is expected to attract about \$1.3 billion. Tenders have also been launched for the partial sale of the national petroleum distribution company (SNDP) and the state automobile manufacturer (STIA). No official announcement has been made concerning reports of a planned sale of Magasin General, the Government of Tunisia's 43-store supermarket chain.
- Spain continues to invest heavily in Tunisian industry and has purchased another privatized cement plant, SOTACIB (Société Tuniso-Algérienne de Ciment Blanc), which was a joint Tunisian/Algerian venture established in 1987. Spain entered Tunisia's cement-producing sector when Uniland bought the Enfidha cement plant during the first wave of privatizations several years ago.

- As the Government of Tunisia's privatization program slows down, Tunisia will no longer receive large amounts of FDI from the privatization of state assets and maintaining current FDI levels may become a challenge.

The Ministry of Development and International Cooperation and the Foreign Investment Promotion Agency (FIPA) Tunisia hold an annual investment promotion event, the Carthage Investment Forum, to introduce the Tunisian investment environment and its business opportunities to global investors. The 7<sup>th</sup> forum was held in June 2005.

There is no evidence of consistent discrimination against foreign investors either at the time of initial investment or at a later stage. The GOT's investment promotion authorities have established a system of regulations that has received favorable feed back from the U.S. companies they have assisted. A U.S. investor in electricity production successfully lobbied for a change in Government of Tunisia legislation which permitted the investment to proceed. Another U.S. investor received Government of Tunisia support in a dispute over the application of Investment Code incentives. A major "greenfield" investment in manufacturing has been completed and is operational. The U.S. investor has warmly praised FIPA for its continuing support from the outset of the project.

Nevertheless, there are difficulties, particularly when U.S. companies have attempted to launch projects in sectors which the Government of Tunisia does not actively promote.

Tunisia's largest single foreign investor is British Gas, which has developed the Miskar offshore gas field (\$650 million) and is adding a further \$500 million for new development. Major foreign presence in other key sectors include telecommunications and electronics (Lucent, Alcatel, Ericsson, Siemens, Sony, Philips, Thomson, Huawei, ZTE), the automotive industry (Lear Corporation, Isuzu, Pirelli, Fiat, Idec), and food products (Nestle, Danone, Chambourcy). Major U.S. company presence in Tunisia includes: Boeing, Lear Corporation, Citibank, Exxon/Mobil, Pfizer, Merck, Microsoft, General Motors, Coca-Cola, Ford, Lucent Technologies, Sara Lee, Sylvania, Stream, Crown Can, Johnson Controls, and Eurocast (a joint venture with Palmer to manufacture aeronautic valve components and artificial hip joints). EVOL, originally part of an Italian-owned group producing safety footwear for the export market, was recently purchased by U.S. investors.

## **Conversion and Transfer Policies**

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The Tunisian dinar is not a fully convertible currency, and it is illegal to take dinars in or out of the country. Although it is convertible for current account transactions (i.e. most bona fide trade and investment operations), Central Bank authorization is needed for some foreign exchange operations. The Government of Tunisia predicts full convertibility of the dinar is not likely before 2009.

Nonresidents are exempt from most exchange regulations. Under foreign currency regulations, nonresident companies are defined as having:

- Nonresident individuals who own at least 66% of the capital, and
- Capital financed by imported foreign currency.

Foreign investors may transfer returns on direct or portfolio investments at any time and without prior authorization. This applies to both principal and capital in the form of dividends or interest. U.S. companies have both praised the speed of transfers to outside Tunisia and lamented inexplicably long delays in some operations.

There is no limit to the amount of foreign currency that visitors can bring into Tunisia and exchange for Tunisian dinars. Amounts exceeding the equivalent of 1,000 Tunisian dinars (approximately \$800) must be declared at the port of entry. The unused balance of such foreign currency may be taken out of the country. Tunisian customs authorities may require production of currency exchange receipts on exit.

The dinar is traded on an intra-bank market. Trading operates around a "fix" established by the Central Bank (based upon a "basket" of the Euro, the U.S. dollar and the Japanese yen). The dollar/dinar value fluctuates on a daily basis, with the dollar trading most recently (February 2006) at approximately TD 1.33. Since the beginning of 2005 the dinar has depreciated more than 12% against the U.S. dollar but has gained 1% against the Euro.

#### **Expropriation and Compensation**

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The Tunisian government does expropriate property by eminent domain; there is no evidence of discrimination against U.S. and foreign companies or individuals. There are no outstanding expropriation cases involving U.S. interests and such cases are rare. No policy changes on expropriation are anticipated in the coming year.

#### **Dispute Settlement**

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There is no pattern of significant investment disputes or discrimination involving U.S. or other foreign investors. However, to avoid misunderstandings, contracts for trade and investment projects should always contain a clause detailing how eventual disputes should be handled and the applicable jurisdiction. Tunisia is a member of the International Center for the Settlement of Investment Disputes and is a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

The Tunisian legal system is based upon the French Napoleonic code. There are adequate means to enforce property and contractual rights. Although the Tunisian constitution guarantees the independence of the judiciary, the judiciary is not fully independent of the executive branch. Local legal experts assert that courts are susceptible to political pressure.

The Tunisian Code of Civil and Commercial Procedures does allow for the enforcement of foreign court decisions under certain circumstances. Commercial cases involving U.S. firms are relatively rare. Several U.S. firms have successfully sought patent and trademark protection through the Tunisian courts. Although the concept and application of intellectual property protection is still in the early stages the Government is making an effort to build awareness. A U.S. government-backed initiative, operated by the Department of Commerce in conjunction with United States Patent and Trademark

Office (USPTO) recently launched a program to train Tunisian decision makers in the field of IPR regulation enforcement.

The Government of Tunisia has a good record in recent years of dealing with disputes involving U.S. companies, although the government's 1995 seizure of a U.S. commercial consignment was eventually settled without compensation. In 1999 a Tunisian court ruling originally prevented a U.S. investor from exercising his managerial authority as the majority shareholder in a Tunisian company, but this case was eventually settled in the Tunisian Supreme Court in favor of the U.S. investor. In 2001 a major US company was awarded damages by a Tunisian court against its Tunisian representative for illegal registration of trademarks owned by the U.S. manufacturer. Most recently, a government move to rescind a land lease agreement between a US company and the Ministry of Agriculture appears to have been abandoned.

### **Performance Requirements and Incentives**

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Performance requirements are generally limited to investment in the petroleum sector or in the newer area of private sector infrastructure development. These requirements tend to be specific to the concession or operating agreement (e.g., drilling a certain number of wells or producing a certain amount of electricity). More broadly, the preferential status (offshore, free trade zone) conferred upon some investments is linked to both foreign percentage of corporate ownership and limits on production for the domestic market.

The Tunisian Investment Code divides potential investments into two categories:

- Offshore, in which foreign capital accounts for at least 66% of equity and at least 80% of production is destined for the export market, and
- On-shore, in which foreign equity is limited to 49% in most non-industrial projects. (On-shore industrial investment can have up to 100% foreign equity).

This legislation and subsequent amendments provides a broad range of incentives for foreign investors, including:

- Tax relief on reinvested revenues and profits;
- VAT limitation to 10% on many imported capital goods;
- Optional depreciation schedules for production equipment.

Further benefits are available for investments of a specific nature. For example, companies producing at least 80% for the export market receive:

- Full tax exemption on profits for the first ten years and 50% reduction in taxes on profits thereafter;
- Full tax exemption on reinvested profits and revenue;
- Duty-free import of capital goods with no local equivalents;
- Full tax and duty exemption on raw materials and semi-finished goods and services necessary for the business.

Large investments with high job creation potential may benefit, under certain conditions determined by the High Commission on Investment, from the use of state-owned land for a symbolic Tunisian dinar (less than one U.S. dollar). Investors who purchase companies in financial difficulty may also benefit from certain clauses of the Investment Code; these advantages are determined on a case-by-case basis.

Additional incentives are available to promote investment in designated regional investment zones in economically depressed areas of the country, and throughout the country in the following sectors: health, education, training, transportation, environmental protection, waste treatment, and research and development in technological fields.

Foreign companies resident in Tunisia face a number of restrictions related to the employment and compensation of expatriate employees. Tunisian law limits the number of expatriate employees allowed per company to four. There are lengthy renewal procedures for annual work and residence permits. Although rarely enforced, legislation limits expatriate work permit validity to a total of two years. Central Bank regulations impose administrative burdens on companies seeking to pay for temporary expatriate technical assistance from local revenue. For example, a foreign resident company that has brought in an accountant would have to document that the service was necessary, fairly valued, and unavailable in Tunisia before it could receive authorization to transfer payment from its operations in Tunisia.

#### **Right to Private Ownership and Establishment**

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Tunisian government actions clearly demonstrate a strong preference for offshore, export-oriented FDI. Investors in that category are generally free to establish and own business enterprises and engage in most forms of remunerative activity. Investment which competes with Tunisian firms or on the Tunisian market or which is seen as leading to a net outflow of foreign exchange may be discouraged or blocked.

Acquisition and disposal of business enterprises can be complicated under Tunisian law and depend on the nature of the contract specific to the proposed transaction.

Disposal of a business investment leading to reductions in the labor force may be challenged or subjected to substantial employee compensation requirements. Acquisition of an on-shore company may require special authority from the Government if it is an industry subject to limits on foreign equity shareholding (such as in the services sector).

#### **Protection of Property Rights**

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Secured interests in property are both recognized and enforced in Tunisia. Mortgages and liens are in common use. Tunisia is a member of the World Intellectual Property Organization (WIPO) and has signed the United Nations (UNCTAD) Agreement on the Protection of Patents and Trademarks. The agency responsible for patents and trademarks is the National Institute for Standardization and Industrial Property (INNORPI). Foreign patents and trademarks should be registered with INNORPI. Tunisia's patent and trademark laws are designed to protect only owners duly registered



in Tunisia. In the area of patents, U.S. businesses are guaranteed treatment equal to that afforded to Tunisian nationals. Legislation is being updated to meet the requirements of the WTO agreement on Trade-Related aspects of Intellectual Property (TRIPS). Copyright protection is the responsibility of the Tunisian Copyright Protection Organization (OTPDA - Organisme Tunisien de Protection des Droits d'Auteur), which also represents foreign copyright organizations.

However, copyright violations are not actively investigated by customs agents unless a complaint is made by the copyright holder, who would have to file a specific complaint in Tunisia for protections to be enforced.

Tunisian copyright law has been updated to cover modern techniques, but its application and enforcement have not been consistent with foreign commercial expectations. Print, audio, and video media are considered particularly susceptible to copyright infringement, and there is evidence of widespread commercial sales of illegal products in these media. Illegal copying of software/CDs/DVDs is widespread. The Government of Tunisia is beginning to demonstrate a more proactive stance on IPR matters.

#### **Transparency of Regulatory System**

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The Tunisian government has adopted policies designed to promote foreign investment and to prepare Tunisian industry for free competition with foreign markets. Although the 1994 Investment Code substantially improved, standardized, and codified incentives for foreign investors, some aspects of existing tax and labor laws remain impediments to efficient business operations.

Bureaucratic procedures, while slowly improving in some areas, are cumbersome and time-consuming. Foreign employee work permits, commercial operating license renewals, infrastructure-related services, and customs clearance for imported goods are usually cited as the lengthiest and most opaque procedures in the local business environment. Investors have commented on inconsistencies in the application of regulations.

#### **Efficient Capital Markets and Portfolio Investment**

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The mobilization and allocation of investment capital are still hampered by the underdeveloped nature of the local financial system. Interest in stocks and bonds is flat and the stock market has difficulty attracting capital investment. Capital controls are still in place. Foreign investors are permitted to purchase shares in resident firms (through authorized brokers) or to purchase indirect investments through established mutual funds.

The banking system is considered generally sound and is improving as the Central Bank has begun to enforce adherence to international norms for reserves and debt. The required minimum risk-weighted capital/asset ratio has been raised to 8%, consistent with the Basel Committee capital adequacy recommendations. Thirteen of the country's fourteen banks conform to the ratio, compared with only two in 1993. Despite the strict



new requirements, many banks still have substantial amounts of non-performing or delinquent debt in their portfolios.

Government presence is dominant, and this has contributed to the delaying of full liberalization. The government is the controlling shareholder in nine banks, which together account for more than two thirds of all credit and over half of total deposits. The estimated total assets of the country's five largest banks are about \$10 billion. Foreign participation in their capital has risen significantly and is now well over 20%.

Consolidation activity is moving Tunisia closer to meeting its financial sector restructuring goals. Tunisia's leading commercial bank, STB (Société Tunisienne de Banque), has merged with the Government of Tunisia's economic and tourism development banks (BDET and BNDT) under the STB banner. The UIB (Union International de Banques) was privatized in late 2002, when 52% of its capital was sold to France's Société Générale for \$72 million. The 35% Government of Tunisia share of the Banque du Sud was sold to Spanish/Moroccan consortium in late 2005. At the same time, the consortium purchased a block of privately-owned stock and therefore gained control of the bank with a 52% interest.

Credit is available locally to foreign investors, but some industry observers assert that there exists a well-established collusion among the principal banks to set common interest rates.

The Government has established quasi-statal entities (sociétés de recouvrement de créances) to buy the non- or under-performing debt of commercial banks. There is no information yet on the success of this measure.

In the last five years regulatory and accounting systems have been brought more in line with accepted international standards. Most of the major global accounting firms are represented in Tunisia. Tunisian firms quoted on the stock exchange are required to publish semiannual corporate reports audited by a certified public accountant.

In mid-2005 the Tunisian Central Bank issued a new Euro-denominated bond on the London financial market. The issued totaled over \$450 million (400 million Euros) with a maturity of 15 years. In 2004 the Government of Tunisia sold a similar bond with a total value of nearly \$550 million and seven-year maturity.

## **Political Violence**

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Tunisia is a stable country. The only recent incident involving politically-motivated damage to economic projects or infrastructure occurred in April 2002 when 21 people, 14 of them German tourists, were killed in a terrorist attack at a synagogue on the island of Djerba. This resulted in a significant reduction in the number of European visitors, Germans in particular, but the sector has now recovered.

## **Corruption**

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Tunisia's penal code devotes eleven articles to defining and classifying corruption and to assigning corresponding penalties (including fines and imprisonment). Several other legal texts also address broader concepts of corruption including violations of the commercial or labor codes, which range from speculative financial practices to giving or accepting bribes. Detailed information on the application of these laws or their effectiveness in combating corruption is not available. Anecdotal reports from the Tunisian business community and U.S. businesses with regional experience suggest that corruption exists, but is not as pervasive as that found in neighboring countries. After three years of steady improvement on Transparency International's Corruption Index, Tunisia dropped back slightly in 2005 to a score of 4.9.

Tunisian law prohibits either giving or receiving a bribe. Penalties range from one to ten years imprisonment and fines up to twice the amount of the bribe. (Members of the judiciary convicted of involvement in bribery can be imprisoned for 20 years.) The prohibition extends to bribes to foreign officials. Most U.S. firms involved in the Tunisian market have not identified corruption as a primary obstacle to foreign direct investment. Some potential investors have asserted that unfair practices and corruption among prospective local partners have delayed or blocked specific investment proposals, or there has been an appearance that cronyism or influence peddling has affected some investment decisions. There are no statistics specific to corruption. The Tunisian Ministry of Commerce publishes information on cases involving the infringement of the commercial code, but these incidents range from non-conforming labeling procedures to price/supply speculation. The print media report abuses of fiduciary authority by public officials only on rare occasions.

The government's recent efforts to combat corruption have concentrated upon ensuring that price controls are respected, enhancing commercial competition in the domestic market, and harmonizing Tunisian laws with their counterparts in the European Union. The public sector is governed by a comprehensive 1989 law designed to regulate each phase of public procurement and established the "Commission Supérieure des Marchés" (CSM - Higher Market Commission) to supervise the tender and award of major contracts. The government publicly supports a policy of transparency and has called for it in the conduct of privatization operations. American companies requesting U.S. government advocacy support in negotiations with the Tunisian government must sign an undertaking not to participate in corrupt practices. The Embassy has no public, documented information on individuals convicted of corruption (with the rare exception of the newspaper stories, as mentioned above).

The Ministry of Commerce's "Competitiveness Council" and its related regional branches (Brigades Economiques) have primary responsibility for identifying and reducing corruption. A variety of other bodies exist within each institution of the government to oversee the execution of public sector contracts. The value of the contract determines the level and identity of the responsible oversight committee, with the largest projects falling under the purview of the Higher Market Commission (CSM). This body reports directly to the Prime Minister's office.

## **Bilateral Trade Agreements**

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A Trade and Investment Framework Agreement (TIFA) between Tunisia and the U.S. was signed in 2002 and two TIFA council meetings have taken place. However,

negotiations on a full FTA are some way off. A Bilateral Investment Treaty between Tunisia and the United States took effect in 1991. A 1985 treaty (and 1989 protocol) guarantees U.S. firms freedom from double taxation.

Tunisia has bilateral investment promotion and protection agreements with nearly 40 countries and multilateral agreements with the Multilateral Investment Guarantee Agency (MIGA) and several Arab/Islamic entities.

#### **OPIC and Other Investment Insurance Programs**

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OPIC is active in the Tunisian market and provides political risk insurance and other services to a variety of U.S. companies. OPIC supports private U.S. investment in Tunisia and has sponsored several reciprocal investment missions. The 1963 OPIC agreement with Tunisia has been revised and was signed during President Ben Ali's visit to Washington in February 2004.

#### **Labor**

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Tunisian labor is readily available. Tunisia has a labor force of approximately 3.4 million and a national literacy rate of about 75%. About 90% of the work force under 35 is literate. The official unemployment rate is under 14% (although this is considerably higher in some areas). The figure does not include many who are underemployed. Currently the Government must create nearly 80,000 new jobs each year to keep unemployment in check and sustained annual growth of about 7% would be required in order to make significant inroads into the chronic unemployment figure. The structure of the workforce has remained stable over the past 20 years (15% agriculture, 32% industry and 53% commerce and services). The right to form a labor union is protected by law. There is only one national labor confederation, the General Union of Tunisian Workers (UGTT - Union General des Travailleurs Tunisiens). The UGTT claims about one third of the labor force as members, although more are covered by UGTT contracts. An alternative trade union, the Democratic Confederation for Labor, was created in 2001. This organization has not received Government approval. Wages and working conditions are established through triennial collective bargaining agreements between the UGTT and the national employers association (UTICA - Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat). These agreements set industry standards and generally apply to about 80% of the private sector labor force, whether or not individual companies are unionized. A new round of bargaining to set wage levels for the next three-year period began in early 2005 and is now nearly complete.

The current monthly minimum legal wage in the industrial sector is about \$150 for a 40 hour week and \$170 for a 48 hour week.

#### **Foreign-Trade Zones/Free Ports**

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Tunisia has two free trade zones, one in the north at Bizerte and the other in the south at Zarzis. The land is state owned, but the zones are each managed by a private company. Companies setting up in the free trade zones, officially known as "Parcs

d'Activités Economiques," are exempt from most taxes and customs duties and benefit from special tax rates.

Offshore enterprises operating outside these zones benefit from similar advantages. Goods are allowed limited duty-free entry into Tunisia for transformation and re-export. Factories are considered bonded warehouses and have their own assigned customs personnel.

However, companies do not necessarily have to be located in one of the two designated free-trade zone to operate with this type of business structure. In fact, the majority of off-shore enterprises are situated in various parts of the country. Regulations are strict, and operators must comply with the 1993 Investment Code.

### **Foreign Direct Investment Statistics**

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Total FDI in Tunisia is estimated at about \$15 billion. It has contributed to the creation of over 2,600 companies and approximately 250,000 new jobs. Foreign investment in manufacturing industries producing for export has long been the major generator of jobs in Tunisia and has attracted the bulk of FDI. In 2005 FDI totaled about \$750 million.

### **Web Resources**

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Investment Promotion Agency (FIPA)	<a href="http://www.investintunisia.com">www.investintunisia.com</a>
Central Bank of Tunisia	<a href="http://www.bct.gov.tn">www.bct.gov.tn</a>
General Information about Tunisia	<a href="http://www.tunisie.com">www.tunisie.com</a>
Tunisian Industrial Promotion Agency	<a href="http://www.tunisieindustrie.nat.tn">www.tunisieindustrie.nat.tn</a>
Bizerte Free Zone	<a href="http://www.bizertaeconomicpark.com.tn">www.bizertaeconomicpark.com.tn</a>
Zarzis Free Zone	<a href="http://www.zfzarzis.com.tn">www.zfzarzis.com.tn</a>
Stock Exchange	<a href="http://www.bvmt.com.tn">www.bvmt.com.tn</a>

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## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
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### How Do I Get Paid (Methods of Payment)

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Tunisian law strictly prohibits the export of currency from Tunisia as payment for imports prior to the presentation of certain documents establishing that the merchandise is in the custody of Tunisian customs.

- U.S. exporters have successfully used confirmed, irrevocable letters of credit and letters of credit authorizing "payment against documents" in past transactions.

### How Does the Banking System Operate

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The Tunisian banking system is a mixture of private and state-owned institutions with varying types of financial instruments and services. The banks are strictly regulated by the Central Bank of Tunisia, which in recent years has increasingly insisted upon prudential norms for bank reserves and balance sheets, in compliance with international standards. The leading banks (Société Tunisienne de Banque (STB), Banque National Agricole (BNA), Banque de l'Habitat (BH), Banque International Arabe de Tunisie (BIAT) and Amen Bank) account for about 70% of total banking assets and approximately 60% of banking system loans. All are carrying on restructuring programs; key challenges they face include a continued reduction in non-performing ratios, implementation of tighter credit risk controls and enhanced recovery procedures, and development of seriously under-developed IT applications.

Over the past ten years, the overall level of non-performing bank portfolios has been reduced from nearly 40% to under 25%. During this same period, the rate of non-performing loans at commercial banks was cut from 34% to well below 20%. These rates remain far higher than U.S. banking regulations would allow, but are showing steady progress in the reduction of the level of bad loans. Loan loss provisions continue to absorb a large part of pre-provision operating profits.

- Tunisian commitments under the WTO and its EU free trade agreement to begin liberalizing its banking sector will probably result in more stringent enforcement of reform measures over the coming years.

### Foreign-Exchange Controls

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The Tunisian dinar is convertible for current account transactions. Companies or individuals engaging in foreign trade can apply to the Central Bank for a convertible currency account.

- Foreign investors may freely repatriate profits and proceeds from the sale of equity, but other transfers may be subject to Central Bank authorization.

Most trade-related transactions are conducted through letters of credit without difficulty. Royalty payments must be approved by relevant government ministries in consultation with the Central Bank on a case-by-case basis. Approval of royalty payments has been rare in recent years. Rates reflect the estimated value of the technology involved and the duration of the particular contract.

### **U.S. Banks and Local Correspondent Banks**

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Citibank, the only U.S. bank operating in Tunisia, has both onshore and offshore branches, with offices in Sfax and Tunis.

- Most Tunisian banks maintain a correspondent bank relationship with one or more U.S. banks. Several of them also work with Western Union for the transfer of funds into Tunisia.

### **Project Financing**

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Financing is generally available. Tunisian banks are conservative and often reluctant to deal with newer firms, but it is rare for an enterprise to fail due to the unavailability of financing. Bankers have described the Tunisian market as one where the supply of short-term commercial credit has exceeded demand.

- Financing from the Export-Import Bank of the U.S. (Ex-Im Bank) is available in Tunisia for U.S. exporters. While lending has focused largely on transactions with state enterprises, Ex-Im Bank is keen to work more closely with the private sector in Tunisia. U.S. companies competing for government tenders are advised to work closely with the Embassy and Ex-Im Bank once evidence of a foreign competitor's ability to obtain concessional financing becomes clear.
- Excellent financing terms offered by European suppliers remain an obstacle for U.S. companies but Ex-Im Bank will strive to match concessional financing from foreign competitors' governments, especially given new OECD requirements regarding concessional financing of commercially based projects.

The U.S. Trade and Development Agency (TDA) has also assisted U.S. firms seeking contracts in the Tunisian market. TDA's services in recent years have included feasibility study funding, conditional training grants, and trade development missions. The World Bank (International Bank for Reconstruction and Development - IBRD) and African Development Bank (AfDB) support a variety of projects in Tunisia. IBRD efforts are focused on several areas including the environment, the financial sector, privatization and industrial restructuring, the road network, dams and irrigation. AfDB

assistance includes major dam projects. The European Investment Bank (EIB) and the Japanese Economic Development Fund are both involved in financing a variety of major infrastructure projects and vocational training. The EIB also finances imports of European capital goods. U.S. companies participate in World Bank-financed projects in Tunisia but are sometimes barred from participating in EU-funded projects.

## Web Resources

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Export-Import Bank of the United States	<a href="http://www.exim.gov">www.exim.gov</a>
Ex-Im Country Limitations	<a href="http://www.exim.gov/tools/country/country_limits.html">www.exim.gov/tools/country/country_limits.html</a>
OPIC	<a href="http://www.opic.gov">www.opic.gov</a>
Trade and Development Agency	<a href="http://www.tda.gov">www.tda.gov</a>
SBA's Office of International Trade	<a href="http://www.sba.gov/oit">www.sba.gov/oit</a>
U.S.D.A Commodity Credit Corporation	<a href="http://www.fsa.a.gov/ccs">www.fsa.a.gov/ccs</a>
U.S. Agency for International Development	<a href="http://www.usaid.gov">http://www.usaid.gov</a>
African Development Bank	<a href="http://www.afdb.org">www.afdb.org</a>
Central Bank of Tunisia	<a href="http://www.bct.gov.tn">www.bct.gov.tn</a>
Association of Tunisian Banks	<a href="http://www.apbt.org.tn">www.apbt.org.tn</a>
Citibank Tunis	no website
Tel: (216)-71-790-066	
Fax: (216)-71-881-746	

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## Chapter 8: Business Travel

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### Business Customs

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- Tunisia is an open society that prides itself in being a bridge between the European and Arab worlds. Most Tunisian business practices closely resemble those in Europe.
- The official language in Tunisia is Arabic but French is widely spoken and serves as the common business language. Many Tunisians also speak English.
- The business environment is formal. Business suits are required for daywear.
- U.S. businesses should always have business cards available.
- Exchange of inexpensive gifts is common practice. U.S. business representatives should not proffer high-value items.

### Travel Advisory

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See Tunisia Consular Information Sheet

[travel.state.gov](https://travel.state.gov)

### Visa Requirements

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U.S. business travelers do not need a visa if they plan on staying in Tunisia less than four months. Stays longer than four months require a visa.

Residency and work permits are available from the Ministry of Interior and Ministry of Social Affairs, respectively. An office in the Ministry of Development and International Cooperation can help expedite the issuance process for foreign investors.

By law, these permits are valid for only one year, renewable for only one additional year upon application. In practice, this limitation is rarely enforced and expatriate residents routinely stay in Tunisia beyond the two-year maximum, renewing their permits annually.

For information on obtaining U.S. visas and on travel to the United States, please visit:



State Department Travel Information

[travel.state.gov](http://travel.state.gov)

Consular Section

[consulartunis@state.gov](mailto:consulartunis@state.gov)

US Embassy

Tunis

Tel: (216) 71-107-000

Fax: (216) 71-964-360

## Telecommunications

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Access to high quality telecommunications services, particularly high-speed/high-capacity data transmission and the Internet is becoming more widely available. Tunisia uses GSM cellular phone technology.

- International calling cards (i.e. ATT) do not operate from inside Tunisia.

Five private Internet Service Providers (ISPs) are licensed by the Government of Tunisia. Broadband connections have recently been made available to private customers. It is estimated that Tunisia now has about 1 million Internet users, with about 300,000 subscribers.

- These ISPs can only access the Internet via the state Internet agency, which has a history of blocking sites that are considered critical of the government of Tunisia.
- A 2005 study by OpenNet Initiative entitled "Internet Filtering in Tunisia in 2005: A Country Study," tested 1923 URLs in Tunisia, and found 187 sites blocked, which is approximately 10%. They concluded that "Tunisia's focusing efforts are effective," primarily blocking such topics as political opposition and human rights-related sites, and pornography. They also block sites that allow users to circumvent this type of filtering.

The government's policies in this area appear to reflect an effort to balance its stated political and security concerns with the growing demand for Internet access and other new information technologies.

## Transportation

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Tunisia has a relatively well-developed infrastructure that includes six commercial seaports and seven international airports. Another international airport is in the planning stage. The principal airport in Tunisia is Tunis-Carthage airport, situated 10 kilometers from the capital. There are six other international airports: Monastir-Habib Bourguiba, Djerba-Zarzis, Tozeur-Nefta, Sfax-Thyna, 7 Novembre-Tabarka and Gafsa-Ksar. The Tunis and Monastir airports are respectively the second and the third most active airports in the Maghreb region.

Over 95% of Tunisian foreign trade is carried by the marine shipping lines. Tunisia has a number of principal trading ports: Tunis-La Goulette, Sousse, Sfax, Gabes, Skhira,

Bizerte, Rades and Zarzis. The port of Skhira specializes in the transport of petroleum. In the ports of Bizerte and Zarzis, there are free trade zones. A state enterprise called CTN (Compagnie Tunisienne de Navigation) is the main shipping company in Tunisia; the merchant marine and ports agency (Office de la Marine Marchande et des Ports - OMMP) ensures management of ports. The main container port at Rades/Tunis handles most incoming and outgoing sea-freight traffic. Sfax, Tunisia's second largest city and a large commercial center, can also handle a limited amount of container traffic.

The railway network is operated by the public sector company called Société Nationale des Chemins de Fer Tunisiens (SNCFT) and a light metro railway operator, Société de Metro Leger de Tunisie (SMLT). SMLT specializes in the urban railway transport system in the city of Tunis.

The road network is fairly well developed, with highways constructed or in the planning stages between major coastal population centers.

## Language

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The official language in Tunisia is Arabic but French is widely spoken and serves as the common business language.

- Many Tunisians also speak English.

## Health

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Except when specialized care is required, most illnesses can be treated locally. Food standards are fair and the water in the coastal area is potable. For those who prefer bottled water, it is inexpensive and readily available.

- A project to establish an offshore clinic catering to the expatriate community is underway.

## Local Time, Business Hours, and Holidays

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Tunisia is GMT+1. Business hours are:

### Government

Winter	Monday-Thursday	8:30	13:00
		15:00	17:45
	Friday	8:30	13:00
	Saturday	8:30	13:30
Summer (July/August)	Monday-Thursday	7:30	14:00
	Friday	7:30	13:00
	Saturday	7:30	14:00
Ramadan**	Monday-Thursday	8:00	14:00

Friday	8:00	13:00
Saturday	8:00	14:00

Private Sector*	(including banks)		
Winter	Monday-Friday	8:00 14:00	12:00 18:00
Summer (July/August)	Monday-Friday	7:00	13:00
Ramadan**	Monday-Friday	8:00	14:00

\* Many private companies are moving towards a shorter break in the middle of the day, with COB brought forward to 17:00

\*\* In 2006, Ramadan will be o/a September 23-October 23

Major Tunisian secular holidays are as follows:

Tunisian Independence Day - March 20  
Tunisian Youth Day - March 21  
Martyr's Day - April 9  
Labor Day - May 1  
Republic Day - July 25  
Women's Day - August 13  
Anniversary of change of government - November 7

The following religious holidays are also observed. Actual dates are based on the lunar calendar and vary from year to year.

Dates for 2006 are:

Ras El Am El Hijri (one day)	o/a January 31, 2006
Mouled (one day)	o/a April 11, 2006
Aid Esseghir (El-Fitr) (two days)	o/a October 24, 2006
Aid El Kebir (El-Idha) (two days)	o/a December 31, 2006

\* o/a – on or about

## Temporary Entry of Materials and Personal Belongings

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Depending on the legal status of non-residents, temporary entry of materials and personal belongings may be permitted. Companies and individuals should verify regulations applicable to their specific status before attempting to bring items into Tunisia.

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## Chapter 9: Contacts, Market Research, and Trade Events

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### Contacts

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U.S. Embassy Tunis  
Tunis/U.S. Chamber of Commerce

<http://usembassy.state.gov/tunis>  
[www.tacc.org.tn/en/](http://www.tacc.org.tn/en/)

### Market Research

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To view market research reports produced by the U.S. Commercial Service please see the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

### Trade Events

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Please click on the link below for information on upcoming trade events:

<http://www.export.gov/tradeevents.html>

In Tunisia:  
Tunis International Fair, October 2006  
Miscellaneous fairs

[www.fkram.com.tn/](http://www.fkram.com.tn/)  
[www.sogefoires.com.tn](http://www.sogefoires.com.tn)

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## Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research.
- Promote your products and services to qualified buyers.
- Meet the best distributors and agents for your products and services.
- Overcome potential challenges or trade barriers.

For more information on the services the U.S. Commercial Service offers U.S. businesses, please go to: [www.buyusa.gov](http://www.buyusa.gov)

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest Export Assistance Center or the U.S. Department of Commerce's Trade Information Center at (800) U.S.A-TRADE, or go to the following website: <http://www.export.gov>.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, The Department of Commerce does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. The Department of Commerce can assist companies in these endeavors.

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